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ABSTRACT

The Michigan State Board of Education's policy statements on higher education for the 1978-79 fiscal year are presented. Progress in implementation of the policies through the beginning of fiscal year 1977-78 is reviewed, and action needed to more fully implement the policies in the funding process are recommended. State Board policies relate to appropriations for lower division of instruction (freshmen and sophomore), upper division of instruction (junior and senior), graduate instruction, Ph.D. and professional level instruction, collegiate off-campus services, student financial assistance, and capital outlay. A summary of present and projected collegiate enrollment patterns is discussed, followed by an analysis of the State Board's appropriations for fiscal year 1978-79 and a comparison between State Board policies, the 1976-77 actual expenditures, and the 1977-78 appropriations. (SPG)

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Policy & Planning Document For Financial Requirements of Higher Education

Goal VI of the Revised State Plan for Postsecondary Education

Policy Recommendations For Fiscal Year 1978-79



U.S. DEPARTMENT OF HEALTH
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
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POLICY AND PLANNING DOCUMENT
FOR FINANCIAL REQUIREMENTS OF
HIGHER EDUCATION: GOAL VI
OF THE REVISED STATE PLAN
FOR POSTSECONDARY EDUCATION

Michigan Department of Education
HIGHER EDUCATION MANAGEMENT SERVICES

February, 1978

FOREWORD

This planning document entitled Policy and Planning Document for Financial Requirements of Higher Education: Goal VI of the Revised State Plan for Postsecondary Education was prepared in response to the Constitutional mandate to the State Board of Education to serve as the advisory body to the Executive Office and Legislature on the needs of higher education in Michigan. Specifically, it is the responsibility of the State Board of Education to review and make recommendations concerning operating and capital budget of public institutions.

This report unites the general policy statements of the State Board of Education with specific recommendations for Fiscal Year 1978-79. In addition, it makes recommendations to more fully implement the policies in the funding process.

It is hoped that this report will help to support adequate financing of higher education in Michigan during the coming years.

JOHN W. PORTER
Superintendent of
Public Instruction

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INTRODUCTION

In April, 1976, the State Board of Education approved a series of seven policy statements relating to appropriations to support major programs in Michigan institutions of higher education. These policies were intended specifically to apply to appropriations for the 1976-77 fiscal year, and were again endorsed by the State Board in its financial recommendations for fiscal year 1977-78.

The purpose of this report is to present the State Board's policy statements on higher education for the 1978-79 fiscal year, to review progress in implementation of the policies through the beginning of fiscal year 1977-78, and to recommend needed action to more fully implement the policies in the funding process.

Essentially, this paper consists of two major parts:

A restatement of State Board of Education Policies on Appropriations for Higher Education, revised and modified for fiscal year 1978-79.

State Board of Education Appropriation Recommendations for Fiscal Year 1978-79.

Progress to Date

Section 3 of the College and University Appropriations Act for 1976-77 (Act 250 of the Public Acts of 1976), provided for a new funding model for higher education, based upon "performance expectations by program and level of instruction, . . . added cost allowances for differences that exist among institutions due to variances in roles and missions, and provides special

grants for unique programs." The new funding model is to be phased in over a 3-year period, with a report annually by December first of alternative recommendations to further refine performance factors.

The Community College Appropriations Act (Act 244 of the Public Acts of 1976), provided, in Section 16, for the development of "alternative recommendations for funding support to community college education," in cooperation with the State Board for Public Community and Junior Colleges. A report was made to the Legislature in the spring of 1977 on alternatives and recommendations. The Community College Appropriation Act (Act 97 of the Public Acts of 1977) calls in Section 19 for the Community and Junior Colleges to further develop and test the recommendations of the 1976 Community College Task Force, including a study of methods of funding counseling services. A report to the Legislature by January 1, 1978 is requested.

Remaining to be Done

The structure of the present appropriations process for college and university funding does not provide the needed detail for analysis of funds allocated by program and level of instruction, in order to determine to what extent the State Board of Education's funding policies have been implemented. Further refinement of the Department's abilities to analyze and project collegiate enrollments is an integral part of the process of developing fiscal recommendations, and formation of a task force to review this area was approved by the State Board in November, 1976. Reports are expected on historical and projected enrollments in January, 1978 and March, 1978 respectively.

The analysis and development of recommendations relating to facilities needs and capital outlay requires additional information on the relationship between instructional programs and facilities needs, data on existing facilities utilization, and enrollment projections on an individual institution basis. Present indications are that due to projected enrollment patterns, actual enrollment declines in some institutions, and alleged over-expansion of some facilities, no new capital outlay expenditures should be undertaken without extensive further review. Furthermore, in view of the projected rise in energy costs, most new capital outlay expenditures undertaken should be directed toward energy conservation remodeling of existing facilities.

The concluding section of this present report contains specific recommendations for further actions on the part of Department of Education staff to insure the full development of the State Board of Education's policies on higher education funding.

For the first time in this report, information on the State Board of Education policies, enrollment estimates, and funding recommendations are contained in a single report which is similar to the Board's report on funding requirements for elementary and secondary education.

PART I
STATE BOARD OF EDUCATION POLICIES
ON APPROPRIATIONS TO SUPPORT MAJOR
PROGRAMS IN INSTITUTIONS OF HIGHER EDUCATION
FOR FISCAL YEAR 1978-79

SECTION

-A-

LOWER DIVISION OF INSTRUCTION

Policy -- It is the policy of the State Board of Education that the Legislature should appropriate sufficient funds for adequately providing for the general operating purposes of public baccalaureate institutions and community colleges at the Lower Division of instruction, consistent with the Taxonomy of programs provided by the U.S. Office of Education.

Discussion -- Of the 430,000 students enrolled (headcount) in public colleges and community colleges in Michigan, enrollments at the Lower Division (Freshman and Sophomore) level is approximately 67 percent of the total, with 64 percent of these students at public community/junior colleges. It seems appropriate, therefore, to develop a public policy statement that state support for similar programs at all public institutions of higher education should be allocated on an equitable basis.

Consistent with Goals 33 and 36 of the State Plan for Higher Education in Michigan, the State Board of Education has adopted a series of annual planning documents, Advising on the Financial Requirements of Public Institutions of Higher Education. These reports have developed the rationale for funding of comparable programs of instruction at all public baccalaureate institutions.

In order to implement this policy, the funding formula recommendations developed by a Task Force on the Higher Education Funding Model and a Task Force coordinated by the State Board for Public Community and Junior Colleges need to be more fully adopted by the Department of Management and Budget and the Legislature.

The formula development must recognize start-up costs for new programs of instruction prior to any significant program enrollments, and appropriations must be requested for the State Board of Education to fund such start-up costs.

Rationale:

Complete data for determining costs and budget recommendations for existing programs at the lower level of instruction, and for start-up costs for approved new programs of instruction is not available in a uniform budget format for both public baccalaureate and community college institutions at this time. Data that is available from the institutions has not been submitted at this time and entered into the LEGICOM system. Staff will develop to the degree possible with available data a detailed rationale and specific budget recommendations for this section as soon as feasible. Occupational programs will be specifically identified because of the State Board of Education's important role in approving new occupational programs for community colleges.

SECTION

-B-

UPPER DIVISION OF INSTRUCTION

Policy -- It is the policy of the State Board of Education that the Legislature should appropriate sufficient funds to adequately support Upper Division Programs of instruction at the public baccalaureate campuses consistent with the Taxonomy of Programs adopted by the U.S. Office of Education.

Discussion -- The basis for this policy is recognition of the cost differentials between Lower Division (Freshman and Sophomore) and Upper Division (Junior and Senior), and that appropriate adjustments must be made in the formula based on actual cost data. It also means that funding for comparable programs at the Upper Division level of instruction should be the same at all public baccalaureate institutions.

In order to reduce overall costs of instruction, a review should be undertaken to identify courses and programs which are identical or nearly identical in scope and content, so that recommendations can be made to reduce or eliminate needless duplication of specialized high cost programs. It should be recognized that with the existing State Board of Education authority to approve programs in teacher education, the approximately 2,300 current programs leading to certification could be subjected to such a review without additional legislative authority. (Approximately 23 percent of these students granted bachelor's degrees received teaching certificates.)

Rationale:

Complete data for determining costs and budget recommendations for programs at the Upper Division of instruction are not available yet since all institutions have not submitted their budget requests, and all cost data has not been entered on the LEGICOM system. Staff will be able to provide a detailed rationale and specific budget recommendations for this section as soon as data is available. Costs and recommendations for teacher education programs will be specifically identified because of the State Board of Education's authority to approve programs in teacher education required for certification.

SECTION

-C-

GRADUATE INSTRUCTION

Policy -- It is the policy of the State Board of Education that the Legislature should appropriate funds sufficient to provide for the adequate support of Graduate instructional programs at the Master's level but less than Ph.D. and Professional instruction, as approved by the State Board of Education consistent with the Taxonomy of programs of the U.S. Office of Education.

Discussion -- Consistent with procedures contained in the State Plan for Higher Education and the report, Graduate Education in Michigan (the Report of the Task Force on Graduate Education), there are special concerns regarding the proliferation and qualitative aspects of graduate education. Specifically, graduate instruction is defined for purposes of this policy statement as programs leading to a Master's, Specialist, Doctorate of Arts, Business Administration, and other practitioner degrees.

Implementation of this policy means that cost differentials (based on actual cost data) between undergraduate and graduate levels of instruction would be recognized as proper and equitable costs associated with graduate instruction for those public institutions currently authorized to conduct such programs. Implementation of this policy would also signify that funding for comparable graduate programs would be the same at all public baccalaureate institutions, and that the funding formula would provide for support of Research and Public Service activities normally associated with graduate institutions. Periodic comprehensive reviews of programs should be conducted in order to avoid undue proliferation of high-cost specialized graduate programs, and to limit such programs to a restricted number of institutions equipped to conduct such programs on a quality basis. Such review studies should employ uniform cost categories to permit comparability of programs. The funding formula would recognize only those programs recommended for support by the State Board of Education, and would fund comparable programs on an equal basis.

Rationale:

Complete data for determining costs and budget recommendations for programs at the graduate level of instruction are not available yet. As soon as available, staff will be able to provide a detailed rationale and specific recommendations for this section.

SECTION

-D-

PH.D. AND PROFESSIONAL LEVEL INSTRUCTION

Policy -- It is the policy of the State Board of Education that special legislative attention be given to the need for adequately funding of programs at the Ph.D and Professional level, which are defined by the U.S. Office of Education as those leading to degrees in (1) Dentistry, (2) Medicine, (3) Osteopathic Medicine, (4) Optometry, (5) Veterinary Medicine, (6) Podiatry, and (7) Law (but excluding Theology for purposes of this policy.)

Discussion -- Because of the extremely high cost of research-oriented degree programs such as the Ph.D., and preparation of students in the professional fields, the procedures for detailed program review outlined in the State Plan for Higher Education in Michigan should be followed for all proposed Ph.D. and Professional Programs of instruction. Goal 9 of the State Plan requires special attention to need for people with professional training, and the State Board of Education has provided in-depth studies on Law, Dentistry, and Optometry. The Board was also responsible for designating for creation the program in Osteopathic Medicine at Michigan State University.

Continuing studies of manpower needs for Ph.D. graduates and professional school graduates must be an ongoing responsibility of the State Board of Education. Such programs should be limited to those institutions identified as major research universities which are equipped to conduct such programs on a quality basis. Such studies would employ the Taxonomy of programs recognized by the U.S. Office of Education and cost and program data from both within this state and from comparable programs and institutions located in other states.

Rationale:

Complete data for determining costs and budget recommendations for programs at the doctoral and professional level of instruction are not available yet. Staff will provide a detailed rationale and specific recommendations for this section as soon as data is available. Staff recommendations will reflect the State Board of Education policy that professional programs should be restricted to four institutions - Wayne State, Michigan State, University of Michigan - Ann Arbor, and Ferris State College.

SECTION

-E-

COLLEGIATE OFF-CAMPUS SERVICES

Policy -- It is the policy of the State Board of Education that all Michigan citizens be entitled to access to collegiate services regardless of residence or place of work, and recognizing that the geographic location of present state institutions makes on-campus attendance impractical for many people, the Legislature should establish a state system of comprehensive, complete, and coordinated off-campus services and programs.

Discussion -- Goal 18 of the State Plan for Higher Education relates to the need for overall coordination of collegiate off-campus programs, and calls for development of a statewide plan whereby off-campus education can be encouraged, fostered, and coordinated. A serious gap exists between the statewide needs and demands of Michigan citizens for collegiate off-campus services and the present pattern of services being provided by Michigan colleges and universities. This issue was explored in detail in the planning document, Planning and Coordination of Collegiate Off-Campus Services in Michigan, which was approved by the State Board of Education in October, 1975. Among the solutions offered to resolve this perceived problem are the establishment of regional consortia to coordinate off-campus services among public and independent collegiate institutions, and the development of a statewide External Degree program. A Task Force to conduct further studies into this issue and make recommendations as to the feasibility of a statewide External Degree program was appointed by the State Board of Education in November, 1975. One of the charges to the Task Force was to recommend a funding mechanism for off-campus programs and services which will insure coordination of such services, provide for recognition of the role of independent

institutions in delivery of off-campus services, and determine the feasibility of an External Degree program at the state level. A final report is presently before the State Board for action.

Rationale:

Following final action by the State Board of Education on the report of the External Degree Task Force, staff will provide a detailed rationale and specific recommendations for this section.

SECTION

-F-

STUDENT FINANCIAL ASSISTANCE

Policy -- It is the policy of the State Board of Education that the Legislature should provide financial assistance in such a way that the objectives of equality of access and freedom of choice are met for all Michigan citizens in a manner which makes maximum use of existing resources.

Discussion -- The State Board of Education has identified six major issues relating to postsecondary education. Two of these goals relate to equality of access and freedom of choice. Within the past year, the State Board has officially approved planning documents treating both of these goals.

Among the recommendations included in the planning documents was a call for expansion of funding for the State Scholarship and Tuition Grant Programs. Other recommendations called for the creation of a tuition equalization program for private college students and the expansion of efforts to provide information concerning financial aid resources to Michigan students.

Rationale:

The 1978-79 funding recommendations for the State Scholarship and Tuition Grant Programs are based on the assumption that college costs will increase by approximately six percent for the next academic year. In addition, it is assumed that there will be a modest increase from 29,700 to 31,000 in the number of awards granted. Furthermore, the recommendations are based upon the assumption that the Legislature will implement the recommendation of the State Board of Education and the Governor's

Office that the maximum stipend in the Scholarship and Grant Programs be increased beyond the present \$1,200 figure. The recommendations for these programs assume a \$100 increase in the maximum award for 1978-79.

An increase in funding for the Legislative Merit Award Program is recommended in order to fully fund the 1,000 annual awards authorized by the enabling legislation.

A modest increase in funding is recommended for the private college, general-degree, reimbursement program based upon the projected increase in the number of degrees to be awarded to Michigan residents.

Projected Number of Awards

	<u>Actual 1976-77</u>	<u>1977-78</u>	<u>Projected 1978-79</u>
State Competitive Scholarships	17,237	18,220	19,300
State Tuition Grants	11,250	11,500	11,700
Legislative Merit Awards	50	150	1,000
Guaranteed Student Loans [*]	25,443	29,500	31,000
<u>Degree Reimbursement Programs</u>			
Law Graduates	568	580	706
Dental Graduates	83	Not Applicable [*]	90
Allied Health Graduates	333	338	360
General Degree Reimbursement	6,213	6,450	7,705

^{*} University of Detroit Dental School schedule in transition from a three year to a four year program. Regular class not graduated for time period funded.

SECTION

-G-

CAPITAL OUTLAY

Policy -- The State Board of Education should provide guidelines in cooperation with the Legislature and the State Building Authority and the Legislature would require all public colleges and universities to support any requests for state funds for facilities construction with data indicating the relationship between the facilities requested and the role of the institution, including the relationship between the need for the facility and an approved or projected academic program.

Discussion -- Consistent with Goals 18, 37 and 38 of the State Plan for Higher Education in Michigan, implementation of this policy means that the State Building Authority would require that each public baccalaureate institution have a campus master plan for facilities construction reviewed by the State Board of Education with supporting rationale in terms of enrollment potential, academic program needs (or the support of instruction), and energy conservation. It would also require that all public colleges and universities conduct a use survey of existing facilities following the WICHE/AACRO (Western Interstate Commission for Higher Education and the American Association of College Registrars and Admissions Officers) framework for institutional facilities planning which would be completed prior to consideration of the 1978-79 capital outlay requests for the institutions.

Rationale:

In view of the potential of declining enrollments of full-time, on campus students projected into the 1980's, additional new capital outlay expenditures should be subjected to especially rigorous review. Remodeling of existing facilities for energy conservation, handicapped access, or health and safety requirements should receive priority.

PART II
STATE BOARD OF EDUCATION APPROPRIATIONS
RECOMMENDATIONS FOR FISCAL YEAR 1978-79

SECTION

-A-

MICHIGAN COLLEGIATE ENROLLMENTS

A recent study by the Department of Education (October, 1976) indicated that collegiate enrollments for Michigan institutions can be expected to show a moderate increase in total headcount enrollment for the next several years. By 1981, however, the effects of a declining birth rate and fewer high school graduates can be expected to have impact on the size of entering freshman classes consisting of the "traditional" 18-20 year old student.

The level of state funding is directly or indirectly related to student enrollment in almost every category of appropriations. The appropriations policies depend to a great extent upon the ability to identify and project student enrollments in the various categories of instruction and by level of instruction. Department of Education reports have provided some indications of overall trends. A great deal remains to be done in terms of expanding, refining, and improving the collection and reporting enrollment data in order to provide for the implementation of the recommended funding policies.

The following table provides a summary of present collegiate enrollment patterns, and a projection for the upcoming fiscal year.

Rationale:

The State Board of Education has approved the establishment of a task force on long-range enrollment projections for post-secondary education. A special data bank has been developed to make enrollment projections statewide by sector of higher education and by institution where data is available. A report on historical enrollments is expected in May, 1978 and on projected enrollments in September 1978. Special consideration will be given to the ability of the institutions to continue to attract and expand on the participation of older adult students.

MICHIGAN COLLEGIATE ENROLLMENTS

	<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>	<u>Projected</u> <u>1978-79</u>
<u>Public Four Year</u>				
<u>Colleges & Universities</u>				
Fall Headcount	241,769	237,292	238,000	239,000
FYES	213,913	207,284	207,700	208,600
<u>Public Two Year</u>				
<u>Community & Jr. Colleges</u>				
Fall Headcount	197,199	191,856 ¹	192,000 ¹	195,000 ¹
FYES	115,861	111,646 ¹	111,646 ¹	112,800 ¹
<u>Independent Colleges</u>				
<u>and Universities</u>				
Fall Headcount	61,108	60,630	61,000	61,500
FYES	Data Not Collected for Independent Colleges			
<u>Totals</u>				
Fall Headcount	500,076	489,778	491,000	495,500
FYES (Public Only)	329,774	318,930	319,346	321,400

¹ Excludes avocational leisure time courses.

* FYES = Fiscal Year Equated Student

Source: Higher Education General Information Survey; Auditor-General's Office; HEIDI, COCO AND LEGICOM Systems; and State Board of Education Postsecondary Education Enrollment Projection Task Force (data only but not 1978-79 projection).

SECTION

-B-

HIGHER EDUCATION APPROPRIATIONS

The Legislature annually appropriates funds for the support of the state's 13 public baccalaureate institutions and 29 community and junior colleges. In addition, funds are allocated for several student assistance programs and for grants to assist independent colleges and universities.

Generally, state appropriations vary on a year-to-year basis depending upon changes in enrollments, operation of new programs and facilities, and economic factors.

The 1977-78 Net State Appropriations for higher education (for the fiscal year ending September 30, 1978), provides a distribution of funds as follows:

	1977-78 <u>Net State Appropriations</u>
Public Four Year Colleges and Universities	\$516,628,000
Community and Junior Colleges (Occupational Programs at Community Colleges)	110,250,000 (79,269,750)
State Competitive Scholarships	11,612,000
State Tuition Grants	13,700,000
Michigan Resident Law Graduates	700,000
Grants to U of Detroit for Dental Prog.	1,200,000
Michigan Resident Allied Health Graduates	438,000
General Degree Reimbursement Program	3,269,000
Legislative Merit Award Program	150,000
Capital Outlay	-
Total	\$657,947,000

Two Department of Education studies, approved by the State Board of Education in June, 1976, provided a detailed description and analysis of the present state funding mechanism and a comparison to funding systems utilized in other states across the nation.

The next section of this report provides an analysis of current net state appropriations in terms of the State Board of Education's funding policies, and includes funding recommendations for the 1978-79 fiscal year.

SECTION

-C-

COMPARISON BETWEEN STATE BOARD OF EDUCATION POLICIES, THE 1976-77 ACTUAL EXPENDITURES, AND THE 1977-78 APPROPRIATIONS

Recommended state appropriations for 1978-79 to implement State Board policies total 724.1 million dollars. This appropriation level will restore state support to public higher education to the 1973-74 per student level (FYES) supported by the Governor and the Legislature.

Specifically, 1978-79 recommended appropriations are arrived at by adjusting 1973-74 per student support levels by the Halstead Price Index (which is designed to reflect the increase in higher education costs verses the consumer price index) to 1978-79 appropriation year actual dollars less a deduct for the projected increase from 1973-74 to 1978-79 in scholarship aid that ultimately flows to the institutions (competitive scholarship, legislative merit awards).

	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
I. <u>Enrollments</u>			
(Calendar Year			
Equated Students)	317,997(est) ¹	319,346(est)	321,400(proj)
II. <u>Appropriations</u>	1975-76 ²		
	Actual	1977-78	1978-79
A. <u>Comm. Colleges</u>	<u>Expenditures</u>	<u>Appropriation</u>	<u>Recommendation</u>
<u>Instructional</u>			
General Acad.	74,975,235		
Voc. Tech.	20,418,020		
Health	<u>11,380,405</u>		
<u>Sub-Total</u>	106,773,660		

¹ Actual 1976-77 community college enrollment is not yet entered in LEGICOM.

² Actual 1976-77 community college actual expenditures has not yet been entered in LEGICOM by program.

	1976-77 Actual	1977-78	1978-79
	<u>Expenditures</u>	<u>Appropriation</u>	<u>Recommendation</u>
<u>Non-Instructional</u>			
Public Service	2,864,008		
Acad. Support	14,188,547		
Stud. Serv.	14,561,437		
Financial Aid	5,268,952		
Instit. Supp.	48,877,185		
Sub-Total	85,760,129		
Gross Budget	192,533,789		
<u>Deducts</u>			
Student Tuition and Fees	52,401,380		
Local Revenue	48,625,469		
Other Adjust.	2,111,777		
Sub-Total	103,138,626		
State Aid	89,395,163	110,175,534	127,482,541
B. <u>Public Four Year</u>	1976-77		
<u>Colleges and</u>	Actual	1977-78	1978-79
<u>Universities</u>	<u>Expenditures</u>	<u>Appropriation</u>	<u>Recommendation</u>
<u>Instructional</u>			
Lower Div.	97,453,310		
Upper Div.	96,941,123		
Teacher Ed.	12,627,830		
Grad I	85,015,157		
Grad II	36,168,841		
Sub-Total ³	336,113,312		
<u>Non-Instruction</u>			
Research	21,521,719		
Public Serv.	23,532,446		
Acad. Supp.	83,429,647		
Stud. Serv.	46,429,810		
Instit. Supp.	68,467,980		

³ By level instructional expenditures do not total the Instructional Sub-Total because special programs have not been entered by level in LEGICOM.

	1976-77 Actual <u>Expenditures</u>	1977-78 <u>Appropriation</u>	1978-79 <u>Recommendation</u>
Non-Instruction (Cont.)			
Plant Maintenance and Operation	85,862,883		
Financial Aid	26,342,159		
Auxiliary Enterprises	16,044,176		
Mandatory Transfers	<u>11,338,123</u>		
Sub-Total	382,968,943		
Gross Budget	719,082,255		
Deducts			
Student Tuition and Fees	211,750,365		
Other Instit. Revenues	51,925,350		
Other Adjust.	<u>3,770,640</u>		
Sub-Total	267,446,355		
State Aid	451,635,900	516,628,000	561,821,469
Grand Total State Aid for Operations			
Community & Junior Colleges ⁴	101,575,741	110,250,000	127,482,541
Public Four Year Coll. & Univ.	<u>451,635,900</u>	<u>516,628,000</u>	<u>561,821,469</u>
Total	553,211,641	626,878,000	689,304,010

III. Student Financial Assistance

Scholarships and Grants			
State Competitive Scholarships	11,889,000	11,612,000	12,812,432
State Tuition Grants	12,200,000	13,700,000	14,742,000

⁴ Actual 1976-77 State Aid for community colleges is not yet entered in LEGICOM so 1976-77 appropriations total is used.

	1976-77 Actual Expenditures	1977-78 Appropriation	1978-79 Recommendation
<u>Scholarships and Grants (Cont)</u>			
State Legislative Merit Award Program	50,000	150,000	1,000,000
<u>Sub-Total</u>	24,139,000	25,462,000	28,554,432
<u>Degree Reimbursement Program</u>			
Michigan Resident Law Grad.	667,200	700,000	700,000
Grantsto U of D Dental Program	970,000	1,200,000	1,200,000
General Degree Reimbursement Program	2,000,000	3,269,000	3,906,455
Allied Health Grants	300,000	435,000	438,000
<u>Sub-Total</u>	3,937,200	5,607,000	6,244,455
<u>Loans</u>			
Loan Reserve Fund	500,000	-	-
<u>Sub-Total</u>	500,000	-	-
<u>Sub-Total for Financial Assistance</u>	28,576,200	31,069,000	34,798,887

IV. Capital Outlay

Community Colleges	1,700,000	4,290,000	None
Public Four Year Colleges and Universities	23,619,000	19,575,000	None
<u>Sub-Total for Capital Outlay</u>	25,319,000	19,575,000	None

V. <u>Grand Totals (Operating)</u>	581,787,841	657,947,000	724,102,897
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Rationale for Increase in Appropriations for Higher Education:

The 1978-79 increase in appropriations of \$66,155,897 (10.1% over 1977-78 year) recommended for higher education was arrived at as follows:

1. Since the fiscal year 1973-74, we have had a steady deterioration in state support to higher education which has caused sharp increases in student tuition and fees. It is consistent with State Board policy to recommend restoring state levels of support per FVES student to the 1973-74 level, which were approved both by the Governor and the Legislature. This would provide

adequate support to insure that Michigan can maintain its quality level of education, compete with peer industrial states and institutions, and help insure access to higher education by maintaining reasonable student tuition and fee levels. It would also clearly establish higher education as a state priority investment, which is necessary if Michigan is to generate the productivity in the future to compete with other states and regions of the country.

2. In recognition of the recommended appropriation increase of \$66,155,897 public higher education institutions must reduce their current tuition and fee rates so that they account for the same proportion (percent) of total institutional revenues as in 1973-74.
3. New programs recommended for approval by the State Board of Education would be added to these appropriations recommendations by level of instruction as soon as data is available.
4. Occupational program recommendations for community colleges would be determined by taking the instructional program costs times the estimated enrollment for 1978-79 in Business, Vocational-Technical, and Health programs, and adding to this figure the estimated cost of funding new program start-up costs based on 1977-78 actual figures for new program costs.
5. Teacher education recommendations will be determined by estimating the cost of support for the professional sequence for public institutions for preparation programs approved for teacher certification by the State Board of Education. Presently, a total of 2,300 programs have been approved for 30 public and private institutions. Thirteen of these institutions are public.
6. State competitive scholarship recommendations are supplemented by federal matching funds (State Student Incentive Grant) totaling \$2,500,000 in 1977-78 and \$2,600,000 projected in 1978-79.

Method of Calculation:

1. Real term per student (FVES) support levels in 1973-74 were taken for higher education as the base for calculation.
2. The U.S. Department of Health, Education, and Welfare price index constructed to reflect the rise in higher education costs (Halstead Price Index) was taken and projected to increase at 8%/year in 1977-78 and 1978-79. This projected index was then used to calculate the appropriations required to restore per student support to 1973-74 levels in actual dollars.
3. A deduction was made from these appropriation figures for public baccalaureate and community college institutions to account for the increase in state scholarship aid from 1973-74 vs. projected in 1978-79 (Competitive Scholarships and Legislative Merit Awards) which ultimately flows into institutional budgets. The total projected increase over this time period is \$4,332,931 for public baccalaureates and \$94,259 for community colleges which excludes State Student Incentive Grant monies because they are federal funds.

Calculation

- a) Public Baccalaureate:
 $\$1,344/\text{FVES}$ real term dollar state support in 1973-74 x 201.2 Higher Education Price Index projected for 1978-79 x 208,600 FVES projected 1978-79 enrollment = \$564,054,400 less \$2,232,931 for increase in competitive scholarship and legislative merit award increases since 1973-74 flowing to the institutions = \$561,821,469.
- b) Community Colleges:
 $\$562/\text{FVES}$ real term dollar state support in 1973-74 x 201.2 HEPI projected for 1978-79 x 112,800 FVES 1978-79 projected enrollment = \$127,576,800 less \$94,259 for increase in competitive scholarship, and legislative merit award increases since 1973-74 flowing to the institutions = \$127,482,541.

SECTION

-D-

RECOMMENDED ACTIONS

NEAR-TERM

The concept of equitable funding for comparable programs at various levels of instruction at public four-year colleges and universities has been included in the foundation of support of the Higher Education Funding Model approved by the Legislature. Also, funding formula recommendations for community colleges developed by a Task Force coordinated by the State Board for Public Community and Junior Colleges are presently under consideration by both the Department of Management and Budget and the Legislature. However, additional steps are necessary to more fully implement the State Board's funding policies as follows:

Institute one higher education appropriations bill.

This would enable all higher education appropriations to be considered together (community/junior colleges together with the four year colleges and universities) along with the associated capital outlay requests. For this to be accomplished, data for instructional and non-instructional categories of the budget by level of instruction must be gathered on a uniform basis for all institutions, and entered on the LEGICOM computer system.

Furthermore, each of the following areas need to be implemented more fully before one higher education appropriation bill can be properly constructed:

- a) Access to the computer data base maintained by the Department of Management and Budget and the Legislative Fiscal Agencies. A special appropriation has been passed enabling the purchase of a computer terminal, which would permit access to the LEGICOM computer system, where the required data is available. The Department is in the process of securing the equipment.
- b) Improve the Department's capabilities in enrollment forecasting. The State Board of Education authorized the appointment of a Task Force on Postsecondary Enrollment Projections in November, 1976, and reports are expected in May and September of 1978.

- c) Information on the scope and operation of collegiate off-campus services. The Task Force on External Degree has submitted a report to the State Board of Education for consideration which recommends policies for the funding and operation of off-campus external degree programs. Upon final action by the State Board, staff will provide specific financial recommendations for incorporation into the overall operating budget.
- d) Development of policies for capital outlay appropriations. Lack of adequate staff and legislative support has resulted in little progress toward implementing the recommendations contained in the planning document approved by the State Board of Education which call for relating projected enrollments and current facilities utilization data to determine future capital outlay recommendations.
- e) Review of the relationship between financial requirements of institutions, state appropriations, costs to the student (tuition) and financial assistance programs. The impact of present state policies on appropriations on student access and the need for student financial assistance programs for "middle income" students has been reviewed in the planning document, Access to Michigan Postsecondary Study (1977), and appropriate state level policies have been adopted by the State Board of Education.
- f) Incorporate institutional financial aid monies coming from the state with the student aid appropriations. This would give a truer picture of financial assistance being provided the citizens of Michigan.

LONG-TERM

A 1977 Department of Education study (Financing of Higher Education in Michigan: 1960-1976) has clearly documented that Michigan higher education has suffered in recent years from a general decline in state support/FYBS - particularly public baccalaureate institutions.

As a result, institutions have been forced to substantially increase student tuition and fee rates over the last decade as well as resort to the use of other financial resources (e.g., income from endowment earnings, private investments, and short-term loans) to maintain current program offerings/quality.

Looking to the future, it is probable that Michigan will face a long-term slow down in the rate of growth of its economy (e.g., economic projections of University of Michigan, and Director of Department of Management and Budget comments during 1978-79 college and universities budget hearings.) This combined with the projected population decline (particularly in the 18-24 age group), rising higher education costs compared to the consumer price index, and pressure by other state programs for support (e.g., social services) all suggest that higher education will need to make a major effort just to maintain existing programs/quality - much less generate support for legitimate new programs or provide for the improvement of existing programs.

The State Board of Education needs to turn its attention now to assessing how these trends are likely to impact the future of higher education and the future productivity of the State of Michigan. Accordingly, the Department of Education staff will work throughout 1977-78 on developing a totally new approach to funding of higher education that will meet these emerging needs.

The new funding formula as presently envisioned would be driven by statewide goals for higher education and its linkage to Michigan's future productivity rather than solely by student enrollments or target budgets. Components of the new funding model could include: (1) clear identification of statewide goals for higher education to be achieved in the next decade; (2) priority ranking of programs the state wishes to encourage institutional investment in the future (e.g., accelerated development of solar energy technology) that have high potential for generating new jobs/productivity; (3) a factor for regional planning and cooperation among higher education institutions in the midwest (e.g., contract for vacant seats; interstate sharing of new program costs) and within the state (e.g., off-campus programs; two plus two arrangements) as the most effective vehicle for ensuring quality support of existing programs as well as providing financial support for the emerging program fields; (4) line item support for specific incentive grants for the development of new programs which have high potential for generating new jobs/greater productivity; (5) and incentive grants for development/implementation of energy saving approaches (energy use and capital design/re-modeling).

Summary of How 1978-79 Recommended
Appropriations for Higher Education Are
Determined on Pages 19-24 of Goal VI Document

STEP

1. Enrollments for 1978-79 are projected as follows:

public baccalaureate	208,600 FYES
community colleges	112,800 FYES (after deducting for leisure time courses)

2. 1973-74 state support figures/FYES are taken, adjusted to real terms (for inflation) by the Higher Education Price Index (1967 = 100). Then, the Higher Education Price Index is adjusted to 1978-79 projected levels based on an assumed inflation rate of 8%/year in 1977-78 and 1978-79. This projected HEPI for 1978-79 is then multiplied times the real term dollar level of state support/FYES in 1973-74 to arrive at actual state dollars per/FYES in 1978-79 required to restore 1973-74 levels of state support. This actual state dollar figure is then multiplied times projected enrollments in Step 1 as follows:

- a) Real term dollars of state support in (1967 = 100)

1973-74

public baccalaureates	-	\$1,344/FYES
community colleges	-	562/FYES

Source: See Weston H. Agor, Financing of Higher Education in Michigan: A Staff Report Analyzing Trends From 1966-76 (Lansing: Michigan Department of Education, 1977), p. 7.

- b) Public baccalaureates

$\$1,344 \times 201.2$ (projected 1978-79 HEPI) = \$2,704 in actual 1978-79 dollars

Community colleges

$\$562 \times 201.2$ (HEPI) = \$1,131 in actual 1978-79 dollars

- c) Public baccalaureates

$\$2,704 \times 1978-79$ projected enrollment (208,600 FYES) = \$564,054,400 gross budget.

Community colleges

\$1,131 x 1978-79 projected enrollment (112,800 FYES) = \$127,576,800 gross budget.

3. Deduction is made for increase in state scholarship aid (competitive scholarships and legislative merit awards) between 1973-74 to projected 1978-79 since these funds ultimately flow into the institutional budgets. A deduct for this amount will insure that 1973-74 levels of state support are provided less this indirect state allocation to institutional budgets as follows:

a) Public baccalaureates

1973-74 Scholarship <u>Receipts</u>	1978-79* Scholarship <u>Receipts</u>	<u>Increase</u>
\$5,100,000	\$7,332,931	\$2,232,931

\$564,054,400 gross budget less deduct = \$561,821,469 recommended appropriation

b) Community colleges

1973-74 Scholarship <u>Receipts</u>	1978-79* Scholarship <u>Receipts</u>	<u>Increase</u>
\$ 500,000	\$ 594,259	\$ 94,259

*Federal funds are excluded from increase. Source: Annual Report 1976-77 MDE Student Financial Assistant Services
\$127,576,800 gross budget less deduct = \$127,482,541 recommended appropriation.

4. Student Financial Assistance recommendations are calculated based on:
- a) Estimated college cost increase of 6%
 - b) 31,000 awards granted
 - c) Assumption the Legislature will increase Competitive Scholarship and Tuition Grant Awards by \$100 each.
 - d) Full funding of the Legislative Merit Award
 - e) Projected increase in degrees awarded to Michigan residents by private schools.

Total \$34,798,887

5. Total the figures derived in Steps 3 and 4 as follows:

1978-79 Recommendation

Public baccalaureate	\$561,821,469
Community college	127,482,541
Student financial aid	<u>34,798,887</u>
Grand Total (Operating)	\$724,102,897